

## [It's no surprise that an acronym soup designed by committee doesn't taste good](#)

Some of you may remember the kid's song: "I knew an old lady who swallowed a fly..." The Sandy scandal that the National Flood Insurance Program is digging out of reminds me of that song. An engineer hired by an IA. A WYO hired the IA. The WYO was hired by the NFIP. Congress created the NFIP. It's no surprise that an acronym soup designed by committee doesn't taste good. The scandal? An engineer blew the whistle on a play we've seen before: Strategic claim adjusting aimed at minimizing/underpaying/avoiding paying for damage. To the consumers harmed by these wrongs, we are proud to be helping right them and make systemic reforms that will restore confidence and integrity to the NFIP.

To all consumers in flood-prone areas, please know that our organization is working hard to help you find, afford and use flood insurance as a resiliency tool. It aint easy for you or us. Flood insurance was problematic long before climate change began increasing flood risk. Now it's [more so now than ever..](#)

In the [buying](#) and [claim help](#) sections of our library; we provide tips and information on flood insurance for consumers. In "[Fixing Flood Insurance](#)" we offer insights and data relevant to affordability, availability and other problematic aspects of flood insurance. The cost of an NFIP policy varies depending on the location and characteristics of your home, and whether or not your community has taken steps to reduce flooding risks in compliance with FEMA rules. The less likely your home is to be damaged or destroyed in a flood - the less you'll pay for flood insurance - generally speaking. Last week the results of a long-awaited study on the availability and affordability of flood insurance was published. We summarize it [here](#).

In our work with state regulators at the NAIC, and public comments we've filed with various agencies, we have repeatedly proposed solutions to the main problems with flood insurance:

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**A flawed marketplace** where consumers are not getting the benefits (or risks) that come with competition: Once upon a time, flood damage was covered in virtually all the home policies sold in the U.S. But by the late 1960s, that changed. So many insurers had added flood exclusions to their policies, Congress determined that Americans were facing a potential crisis and created the National Flood Insurance Program (“NFIP”). The NFIP is a hybrid of government and private enterprise. The premiums consumers pay for flood insurance, plus some taxpayer dollars, fund the NFIP so it can issue policies and pay claims. NFIP policies provide basic coverage with lots of limitations. Although the buck stops at FEMA, much of the control over the NFIPs operations – sales, marketing, claims handling, litigation decision-making, rests in the hands of private insurance company executives (“Write Your Own” insurers), “Independent” claim adjusting, estimating and structural engineering companies and private law firms. Most consumers in the US that insure their properties for flood damage buy it through the NFIP, and not by choice. Any person that owns property in a flood zone and has a mortgage is forced to buy it.

Today, if you own property in an area that’s officially considered a flood risk, you can insure that property through the NFIP – the public-private partnership that operates under the Federal Emergency Management Agency, (“FEMA”). On the plus side, the NFIP guarantees you can comply with the terms of a mortgage by buying insurance on a property that’s at risk for flood. And, the NFIP option makes it possible for properties in flood zones to be bought and sold. On the minus side, there’s no guarantee you’ll pay a fair price for quality coverage when you buy an NFIP policy. And no guarantee your claim will be paid fairly, quickly or in full after a flood. Accountability is a problem when you buy insurance through the NFIP. When you buy a home insurance policy through a private company licensed to do business in your state, that insurance company must comply with the laws and regulations in your state. That insurance company answers to your state insurance regulator. And if necessary, you can hire a lawyer and use the legal system to secure redress. But when you buy an NFIP policy, it’s a lot more complicated. The NFIP answers to FEMA, which answers to Homeland Security, which answers to Congress. State consumer protections don’t apply. The rules are heavily slanted in the NFIPs favor and against consumers. For the vast majority of flood victims, hiring a lawyer and using the legal system to secure redress on an NFIP claim simply is not an option. Consumers are not getting benefits from the competition when it comes to NFIP insurance.

So UP has been doing all we can to help improve the NFIP and develop new options for private flood

insurance. We stay in close contact with regulators and insurance agents to keep tabs on new options, new entrants in the marketplace, etc. There is currently a private marketplace for insuring a home for flood damage but it's very limited and not a viable option for many people. If you're wealthy and insured with a company like Chubb or AIG – flood coverage can be included in your home policy. Or, in some states – Colorado, for example, you may be able to buy it through a Lloyds of London “surplus lines” insurance company. Florida recently licensed two “stand-alone” private flood insurance companies. Buyers beware.

**Cost uncertainty:** Many people, including some consumer advocates, are convinced that flood insurance premiums are too low to cover actual risks. But Congress' attempt to adjust the rates via legislation known as “BW12” (Biggert-Waters 2012) went too far too fast and created a tidal wave of protest across the U.S. Not long after, Congress doubled back and rolled back many of the increases. There is a lot of uncertainty over what's going to happen to flood insurance costs going forward.

Stay tuned. UP will keep the useful information coming...